

**Davis Family Support Center,
Inc. d.b.a. Family Connection
Center**

Financial Statements

**With Supplementary Information
And
Compliance Reports**

Year Ended June 30, 2005

And

Independent Auditors' Report

SHAW & CO., P.C.

Certified Public Accountants & Business Advisors

**Davis Family Support Center, Inc.
d.b.a. Family Connection Center**

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SHAW & CO., P.C.

Certified Public Accountants & Business Advisors

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Davis Family Support Center, Inc.
d.b.a. Family Connection Center
Clearfield, UT

We have audited the accompanying statement of financial position of Davis Family Support Center, Inc. d.b.a. Family Connection Center (a nonprofit organization) as of June 30, 2005, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's June 30, 2004 financial statements and, in our report dated July 27, 2004, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Davis Family Support Center, Inc. d.b.a. Family Connection Center as of June 30, 2005, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 16, 2005 on our consideration of Davis Family Support Center, Inc. d.b.a. Family Connection Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Davis Family Support Center, Inc. d.b.a. Family Connection Center taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Shaw & Co., P.C.

Bountiful, Utah
August 16, 2005

Davis Family Support Center, Inc.
d.b.a. Family Connection Center
Statement of Financial Position
June 30, 2005
With Comparative Totals For June 30, 2004

	<u>6/30/2005</u>	<u>6/30/2004</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 32,983	\$ 24,931
Accounts and grants receivable	114,409	159,669
Investments	354	300
Prepaid expenses	<u>7,777</u>	<u>-</u>
Total current assets	<u>155,523</u>	<u>184,900</u>
Fixed assets, at cost		
Land	55,736	55,736
Buildings	1,393,553	1,393,553
Furniture and equipment	77,103	79,221
Vehicles	<u>28,030</u>	<u>28,030</u>
Total fixed assets	<u>1,554,422</u>	<u>1,556,540</u>
Less accumulated depreciation	<u>(375,280)</u>	<u>(321,134)</u>
Net fixed assets	<u>1,179,142</u>	<u>1,235,406</u>
Other assets	<u>-</u>	<u>638</u>
Total assets	<u>\$ 1,334,665</u>	<u>\$ 1,420,944</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 817	\$ -
Accrued liabilities	5,777	1,182
Current portion of long-term debt	<u>179,757</u>	<u>216,848</u>
Total current liabilities	<u>186,351</u>	<u>218,030</u>
Long-term debt, net of current portion	<u>254,863</u>	<u>392,945</u>
Total liabilities	<u>441,214</u>	<u>610,975</u>
Net assets		
Unrestricted	867,115	773,014
Temporarily restricted	26,336	36,955
Permanently restricted	<u>-</u>	<u>-</u>
Total net assets	<u>893,451</u>	<u>809,969</u>
Total liabilities and net assets	<u>\$ 1,334,665</u>	<u>\$ 1,420,944</u>

See accompanying notes to financial statements.

Davis Family Support Center, Inc.

d.b.a. Family Connection Center

Statement of Activities

Year Ended June 30, 2005

With Comparative Totals For The Year Ended June 30, 2004

	6/30/2005						6/30/2004
	Unrestricted	Temporarily Restricted	Permanently Restricted	6/30/2005 Total		6/30/2004 Total	
REVENUES AND SUPPORT							
In-kind donations - food	\$ 393,444	\$ -	\$ -	\$ 393,444	\$	446,762	
HUD grant	279,063	-	-	279,063		270,242	
CDBG grants	256,253	-	-	256,253		243,191	
Utah DCFS grants	207,779	-	-	207,779		204,822	
CSBG grants	175,067	-	-	175,067		204,333	
United Way donations	129,544	-	-	129,544		112,899	
Sales tax reimbursements	95,545	-	-	95,545		115,910	
Public donations	58,934	23,826	-	82,760		65,928	
FEMA	76,773	-	-	76,773		76,107	
DWS Outreach	48,801	-	-	48,801		39,963	
Volunteer services	34,209	-	-	34,209		11,679	
VOCA grant	32,562	-	-	32,562		32,562	
DWS Critical Needs Housing	29,800	-	-	29,800		24,830	
Emergency Food Network	16,614	-	-	16,614		18,432	
Other state grants	12,264	-	-	12,264		33,007	
United Way Title XX	8,328	-	-	8,328		8,157	
Counseling fees	6,990	-	-	6,990		4,184	
CMA Food program	5,601	-	-	5,601		3,811	
Gain on disposal of assets	4,055	-	-	4,055		-	
Client fees and other income	2,747	-	-	2,747		8,685	
Interest income	255	-	-	255		403	
Unrealized gain	54	-	-	54		-	
Net assets released from restrictions	34,445	(34,445)	-	-		-	
	1,909,127	(10,619)	-	1,898,508		1,925,907	
EXPENSES							
Program services	1,653,937	-	-	1,653,937		1,726,113	
Management and general	101,164	-	-	101,164		194,418	
Fundraising	59,925	-	-	59,925		64,474	
	1,815,026	-	-	1,815,026		1,985,005	
Change in net assets	94,101	(10,619)	-	83,482		(59,098)	
Net assets, beginning of year	773,014	36,955	-	809,969		869,067	
Net assets, end of year	\$ 867,115	\$ 26,336	\$ -	\$ 893,451	\$	809,969	

See accompanying notes to financial statements.

Davis Family Support Center, Inc.
d.b.a. Family Connection Center
Statement of Functional Expenses
Year Ended June 30, 2005
With Comparative Totals For The Year Ended June 30, 2004

	<u>6/30/2005</u>			<u>6/30/2005</u>	<u>6/30/2004</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	<u>Total</u>
Salaries and wages	\$ 559,042	\$ 58,641	\$ 33,881	\$ 651,564	\$ 719,977
Payroll taxes	61,599	6,461	3,733	71,793	62,316
Employee benefits	57,214	6,001	3,467	66,682	58,961
 Total salaries and related expenses	 677,855	 71,103	 41,081	 790,039	 841,254
In-kind donations - food	393,444	-	-	393,444	446,762
Community assistance	269,176	-	-	269,176	305,035
Utilities	30,330	3,181	1,838	35,349	22,605
Volunteer services	29,351	3,079	1,779	34,209	11,679
Housing/rent assistance	23,780	2,494	1,441	27,715	35,141
Mortgage interest	18,291	1,919	1,109	21,319	44,262
Travel	18,042	1,893	1,094	21,029	20,124
Maintenance	17,351	1,820	1,052	20,223	29,545
Miscellaneous	16,630	1,744	1,008	19,382	18,523
Professional fees	15,756	1,653	955	18,364	12,775
Copying and publications	15,490	1,625	939	18,054	5,732
Supplies	14,866	1,559	901	17,326	29,723
Insurance	12,665	1,329	768	14,762	25,305
Conferences and workshops	10,552	1,107	639	12,298	13,322
Telephone	9,929	1,041	602	11,572	23,632
Retirement	7,282	764	441	8,487	7,072
Membership dues and fees	4,892	513	296	5,701	4,488
Sub for Santa	3,891	408	236	4,535	3,646
Food	3,458	363	210	4,031	7,379
Postage	2,350	246	142	2,738	2,052
Subcontract and workstudy	1,640	172	99	1,911	7,879
Licenses and permits	1,398	147	85	1,630	3,980
Advertising	852	89	52	993	2,617
 Total expenses before depreciation	 1,599,271	 98,249	 56,767	 1,754,287	 1,924,532
Depreciation	54,666	2,915	3,158	60,739	60,473
 Total expenses	 \$ 1,653,937	 \$ 101,164	 \$ 59,925	 \$ 1,815,026	 \$ 1,985,005

See accompanying notes to financial statements.

Davis Family Support Center, Inc.
d.b.a. Family Connection Center
Statement of Cash Flows
Year Ended June 30, 2005
With Comparative Totals For The Year Ended June 30, 2004

	<u>6/30/2005</u>	<u>6/30/2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 83,482	\$ (59,098)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	60,739	60,473
Unrealized gain on investments	(54)	-
Gain on disposal of assets	(4,055)	-
Changes in current assets and liabilities:		
Accounts receivable	45,260	(38,151)
Prepaid expenses	(7,777)	-
Other assets	638	-
Accounts payable	817	(4,569)
Accrued liabilities	<u>4,595</u>	<u>(4,053)</u>
Net cash provided by (used in) operating activities	<u>183,645</u>	<u>(45,398)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash received on the disposal of fixed assets	9,447	-
Cash paid for the purchase of fixed assets	<u>(9,867)</u>	<u>(8,066)</u>
Net cash (used in) investing activities	<u>(420)</u>	<u>(8,066)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term debt	<u>(175,173)</u>	<u>(13,627)</u>
Net cash (used in) financing activities	<u>(175,173)</u>	<u>(13,627)</u>
Net change in cash	8,052	(67,091)
Cash and cash equivalents, beginning of year	<u>24,931</u>	<u>92,022</u>
Cash and cash equivalents, end of year	<u>\$ 32,983</u>	<u>\$ 24,931</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	<u>\$ 21,319</u>	<u>\$ 44,262</u>
Cash paid for taxes	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements.

Davis Family Support Center, Inc.
d.b.a. Family Connection Center
Notes to Financial Statements
June 30, 2005

1. ORGANIZATION BASIS OF PRESENTATION

Davis Family Support Center, Inc. d.b.a. Family Connection Center (the "Organization") was incorporated under the laws of the State of Utah as a nonprofit corporation on September 24, 1985. The Organization's purpose is to protect children, strengthen and shelter families and individuals, foster self-sufficiency, and facilitate a caring community. The organization does this by providing emergency assistance, food bank operations, parenting education, home-based support, neurofeedback therapy, child care in times of crisis or stress, support of victims of domestic violence, counseling for marital discord, transitioning out of homelessness, and teaching communication and language skills. The Vision statement of the organization is "When your life has you feeling abandoned, angry, depressed, hopeless, and stressed, the Family Connection Center Team can help put you back on the road to fulfillment-One step at a time.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Organization have been prepared on the accrual basis. The Organization follows the provisions of Statements of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations" and SFAS No. 116, "Accounting for Contributions Received and Contributions Made."

The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Estimates in the Financial Statements

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Classes of Net Assets

Revenues and gains are classified based on the presence or absence of donor restrictions and reported in the following net asset categories:

- a. Unrestricted net assets represent the portion of net assets not subject to donor restrictions.
- b. Temporarily restricted net assets arise from contributions that are restricted by the donor for specific purposes or time periods.
- c. Permanently restricted net assets arise from contributions that are restricted by the donor in perpetuity.

All contributions are considered available for unrestricted use, unless specifically restricted by the donors. All expenses are reported as changes in unrestricted net assets.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Contributions

Unconditional promises to give are recognized as revenue when the underlying promises are received by the Organization. Gifts of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Allowance for Doubtful Accounts

An allowance for doubtful accounts has not been established because management believes that all receivables are fully collectible.

Fixed Assets

Fixed assets are recorded at acquisition cost, or if donated, at the fair market value at the date donated. The Organization capitalizes additions that exceed \$1,000. Depreciation expense is provided on a straight-line basis over the estimated useful lives of the respective assets, which range from five to twenty-five years. Depreciation expense for the year ended June 30, 2005 was \$60,739.

Income taxes

The Organization is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. In addition, the Organization has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for the year ended June 30, 2005.

Donated services

Volunteers and advisors have donated substantial time in assisting the Organization in achieving the goals of its programs. Amounts applicable to donated services that meet the requirements of SFAS No. 116 have been included in the accompanying financial statements.

Government Funding

Funding from all government sources is considered to be unrestricted as long as it is expended under contract guidelines and is expended in the period for which it is contracted.

Concentrations of Credit Risks

The Organization maintains its cash in bank deposit accounts, which at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

The Organization receives a significant amount of its funding from government sources. Decreases in this government support would have an adverse effect upon the Organization.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Investment Securities

The Organization has adopted SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Fair Value of Financial Instruments

The Organization has a number of financial instruments, none of which are held for trading purposes. The Organization estimates that the fair value of all financial instruments at June 30, 2005, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position.

Reclassifications

Certain items from June 30, 2004 have been reclassified to conform to the June 30, 2005 presentation.

3. LONG-TERM DEBT

Long-term debt consisted of the following at June 30, 2005:

Mortgage note payable to a bank in monthly installments of \$1,015 including interest at 7.5%; with a balloon payment of \$25,167 due on June 20, 2005; secured by land and building with a cost of \$301,916	\$ 32,275
Mortgage note payable to a governmental agency in monthly installments of \$990 including interest at 3.0%; a 30-year note beginning November 1, 2001; secured by land and buildings with a cost of \$240,938	221,146
Mortgage note payable to an individual in two installments of \$176,667 due 9/1/2004 and 9/1/2005; interest at 8% is due and payable the first day of each month beginning 8/1/2003; secured by land and buildings with a cost of \$750,190	<u>181,199</u> 434,620
Less amounts due within one year	<u>(179,757)</u> <u>\$ 254,863</u>

Maturities of long-term debt at June 30, 2005 are as follows:

<u>Year ended June 30,</u>	
2006	\$ 179,757
2007	11,649
2008	8,199
2009	8,533
2010	8,881
Thereafter	<u>217,601</u> <u>\$ 434,620</u>

Interest expense for the year ended June 30, 2005 was \$21,319.

4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at June 30, 2005:

Christmas toys	\$ 2,510
Food Bank repairs	8,136
Housing program	2,259
MORE Project	11,121
Networking	<u>2,310</u>
	<u>\$ 26,336</u>

5. UTAH DIVISION OF CHILD AND FAMILY SERVICES

The individual contracts and grants received from the Utah Division of Child and Family Services for the year ended June 30, 2005 were as follows:

Crisis/Respite Nursery	\$ 99,416
Family Preservation	66,666
Outreach	25,000
Children's Trust Fund	<u>16,697</u>
	<u>\$ 207,779</u>

6. PROGRAM SERVICES

Program services expenses are broken down into the following programs for the year ended June 30, 2005:

Food Bank	\$ 394,482
Community Action	380,332
Housing	337,417
Nursery	243,181
Outreach	134,473
Counseling	133,990
Homefront	13,417
More Project	8,407
Uniting Neighbors	<u>8,238</u>
	<u>\$ 1,653,937</u>

7. RETIREMENT PLAN

The Organization has established a tax-deferred annuity program pursuant to Section 403(b) of the Internal Revenue Code for its employees who work over 1,000 hours per year. Employees who elect to defer a portion of their own salary are eligible to receive a matching contribution of up to 4% of the employee's wages. The Organization's contribution to the 403(b) plan for the year ended June 30, 2005 was \$8,487.

8. PRIOR YEAR INFORMATION

The financial statements for the year ended June 30, 2004 are presented for comparative purposes only. The notes presented herein contain information regarding June 30, 2005. Please refer to the June 30, 2004 audited financial statements for information regarding the notes for that year.

SUPPLEMENTARY INFORMATION
AND
COMPLIANCE REPORTS

Davis Family Support Center, Inc.
d.b.a. Family Connection Center
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2005

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Agency or Pass-through Number</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Health and Human Services</u>			
Passed through the Utah Department of Community and Economic Development			
Community Service Block Grant		93.569	\$ 178,134
Passed through the United Way of Davis County			
Social Services Block Grant - Title XX		93.667	<u>8,328</u>
Total U.S. Department of Health and Human Services			<u>186,462</u>
<u>U.S. Department of Housing and Urban Development</u>			
Community Planning and Development		14.235	287,093
Passed through the Utah Department of Community and Economic Development - Community Development Block Grant		14.228	192,755
Homeless Prevention Grant		14.231	10,500
Passed through Clearfield City - Community Development Block Grant		14.228	14,000
Passed through Layton City - Community Development Block Grant		14.228	<u>49,500</u>
Total U.S. Department of Housing and Urban Development			<u>553,848</u>
<u>U.S. Department of Justice</u>			
Passed through the State of Utah Office of Crime Victim Reparations			
VOCA		16.575	<u>32,562</u>
Total U.S. Department of Justice			<u>32,562</u>
<u>Federal Emergency Management Agency</u>			
Passed through the Emergency Food and Shelter National Board Program			
FEMA		83.523	<u>76,773</u>
Total Federal Emergency Management Agency			<u>76,773</u>
Total expenditures of federal awards			<u>\$ 849,645</u>

Note 1 - Basis of Accounting

The supplementary schedule of expenditures of federal awards is prepared on the accrual basis of accounting. Grant expenditures are recognized as funds are spent or accrued. The information in this schedule is prepared in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Note 2 - Pass Through Awards

The Organization receives certain federal financial assistance from pass-through awards. The total federal financial assistance from pass-through awards is noted above.

Davis Family Support Center, Inc.
d.b.a. Family Connection Center
Schedule of Findings and Questioned Costs
Year Ended June 30, 2005

Summary of Auditors' Results

1. We issued an unqualified opinion in our report on the financial statements of Davis Family Support Center, Inc. d.b.a. Family Connection Center for the year ended June 30, 2005.
2. The results of our audit tests disclosed no instances of noncompliance which were considered material to the financial statements.
3. We issued an unqualified opinion in our report on compliance for major programs for the year ended June 30, 2005.
4. The results of our audit disclosed no audit findings which we are required to report.
5. The major program of Davis Family Support Center, Inc. d.b.a. Family Connection Center for the year ended June 30, 2005 is as follows:
 - a. US Dept. of Housing & Urban Development CFDA Number 14.235
6. The dollar threshold used to distinguish between Type A and Type B programs was \$500,000.
7. Davis Family Support Center, Inc. d.b.a. Family Connection Center did qualify as a low-risk auditee.

Findings Related To The Financial Statements

None

Findings and Questioned Costs for Federal Awards

None

Findings of Prior Audit - Year Ended June 30, 2004

There were no findings reported for the year ended June 30, 2004. Therefore, there are no outstanding resolution matters relating to major federal programs.

SHAW & CO., P.C.

Certified Public Accountants & Business Advisors

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Directors
Davis Family Support Center, Inc.
d.b.a. Family Connection Center
Clearfield, UT

We have audited the financial statements of Davis Family Support Center, Inc. d.b.a. Family Connection Center (a nonprofit organization) as of and for the year ended June 30, 2005, and have issued our report thereon dated August 16, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Davis Family Support Center, Inc. d.b.a. Family Connection Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Davis Family Support Center, Inc. d.b.a. Family Connection Center's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the Organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Shaw & Co., P.C.

Bountiful, Utah
August 16, 2005

SHAW & CO., P.C.

Certified Public Accountants & Business Advisors

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

The Board of Directors
Davis Family Support Center, Inc.
d.b.a. Family Connection Center
Clearfield, UT

Compliance

We have audited the compliance of Davis Family Support Center, Inc. d.b.a. Family Connection Center (a nonprofit organization) with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" that are applicable to each of its major federal programs for the year ended June 30, 2005. Davis Family Support Center, Inc. d.b.a. Family Connection Center's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Davis Family Support Center, Inc. d.b.a. Family Connection Center's management. Our responsibility is to express an opinion of Davis Family Support Center, Inc. d.b.a. Family Connection Center's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Davis Family Support Center, Inc. d.b.a. Family Connection Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Davis Family Support Center, Inc. d.b.a. Family Connection Center's compliance with those requirements.

In our opinion, Davis Family Support Center, Inc. d.b.a. Family Connection Center complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of Davis Family Support Center, Inc. d.b.a. Family Connection Center is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Davis Family Support Center, Inc. d.b.a. Family Connection Center's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the Organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Shaw & Co., P.C.

Bountiful, Utah
August 16, 2005